

**U.S. Rep. Steve King**  
**Eliminate Davis-Bacon wage provisions**  
**Testimony before Education and Labor Committee**

**February 13, 2008**

Mr Chairman, I come today to discuss the ramifications of being forced to pay Davis-Bacon mandated wages for construction or remodeling of publicly funded schools. Davis-Bacon is the last Jim Crow law. It was enacted in 1931 to protect the white northern workers from the lower paid carpet-bagger workers that had come up from the Southern states to look for work. Union workers were threatened by the sudden influx of cheap labor. The Davis-Bacon Act of 1931 was passed to prevent them from working.

This Act has a checkered past. Davis-Bacon was a Depression-era wage subsidy law, requiring that each public works contract over \$2,000 contain a clause that established certain wages to be paid. This limit has never been adjusted, not even for inflation.

Contractors and subcontractors must pay workers a wage based on the so-called “prevailing wage.” But that wage is not the market wage and it artificially inflates wages and raises the cost of public construction projects for taxpayers. Davis Bacon also takes work away from competitive workers. And, having owned and operated a small construction company for over 20 years, I have personal experience being slighted in such a way.

A study was recently done by the Beacon Hill Institute on the effects of paying Davis-Bacon inflated wages in public construction projects. It found that when the Davis-Bacon mandated wages were followed, labor costs rose by 22% above the reported median wage. I would like to enter a copy of this fantastic study into the record.

In total, this study reports that Davis-Bacon costs taxpayers over \$8.6 billion annually. That is enough money to hire over 18,000 teachers.

I've used this education related example to illustrate the cost of complying with Davis-Bacon because its mandated wages would apply to some of the bills pending before this committee, namely those that deal with school renovation and new construction. In the General Education Provision Act, [20 USC 1232b] the law specifically states:

**“All laborers and mechanics employed by contractors or subcontractors on all construction and minor remodeling projects assisted under any applicable program shall be paid wages at rates not less than those prevailing on similar construction and minor remodeling in the locality as determined by the Secretary of Labor.”**

Thus the Davis-Bacon mandate would apply to any bill that receives federal dollars for construction or renovation--even state projects only partially funded by federal dollars. Therefore Davis-Bacon is the federal government intruding in the affairs of the States as well.

Davis-Bacon provisions artificially inflate construction labor costs.

The Beacon-Hill study proves that. It states that by paying Davis-Bacon artificially high wages labor costs go up 22% and overall construction costs go up 9.91%. That is why I am here today, to urge this committee to reject legislation that would force the Davis-Bacon mandate on school construction and re-modeling.

The GAO is also on record stating that economic conditions and labor provisions have changed significantly since the 1930's. It reported that the Davis-Bacon Act is, "not susceptible to practical and effective administration" by the Department of Labor. It further stated that Davis-Bacon has resulted in unnecessary construction and administration costs, inflated prices, and inaccurate wages.

Construction costs are rising, according to a recent study by Reed Business information in October 2007. The 30-city construction cost index showed roofing and siding costs are up 20.5%; pre-cast concrete costs are up 14.4%; and structural and metal framing costs are up 10.5%. Take into account price increases for energy and you can see why now we need to be smarter with our money.

Davis-Bacon is anti-competitive. Non-union construction companies, like the one I started, are seriously hurt by Davis-Bacon provisions. Small businesses simply can't compete because it is TOO INEXPENSIVE to get a government contract. We cannot afford to use 70 year old methodology anymore.

The remedy is simple: take out the provision of these bills that artificially inflates or skews construction labor costs. The money saved on labor can be used to build and remodel more and better schools.

I ask you to reflect upon what this extra funding not spent on Davis Bacon would mean to these kids, small business owners, or to the taxpayers? We should spend money so much more wisely.

The Beacon-Hill Institute study points out that the costs of the unfair Davis-Bacon mandate is almost 10% of the total construction cost of a new school. In other words, we could save a million dollars off the cost of a new ten million dollar school.

With that savings we could employ over 20 new teachers to the new school. We need to get our priorities straight. The Beacon-Hill Institute study is a wake-up call for this committee and this Congress. Congress should be working to build as much square footage of good schools.